

**THE CHILDREN'S CENTER AND THE
CHILDREN'S CENTER ENDOWMENT TRUST**

COMBINED FINANCIAL STATEMENTS

Year Ended June 30, 2005



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

THE CHILDREN'S CENTER AND THE CHILDREN'S CENTER ENDOWMENT TRUST

We have audited the combined statement of financial position of The Children's Center and The Children's Center Endowment Trust (collectively "the Center") as of June 30, 2005 and the related combined statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from the Center's 2004 financial statements and, in our report dated September 23, 2004, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly in all material respects, the financial position of the Center as of June 30, 2005, and the changes in net assets, its cash flows, and its functional expenses for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2005 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Mayer Hoffman McCann P.C.

Salt Lake City, Utah

August 10, 2005

THE CHILDREN'S CENTER AND THE CHILDREN'S CENTER ENDOWMENT TRUST

COMBINED STATEMENT OF FINANCIAL POSITION

June 30, 2005 with Summarized Totals for 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2005 Totals</u>	<u>Summarized Totals 2004</u>
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 490,949	\$ -	\$ 490,949	\$ 534,725
Accounts receivable, less allowances for contractual agreements and doubtful accounts of \$40,000 in 2005 and 2004	300,012	-	300,012	355,505
United Way receivable	-	180,461	180,461	172,906
Pledges receivable	5,340	-	5,340	13,655
Prepaid expenses and other assets	39,382	-	39,382	36,901
TOTAL CURRENT ASSETS	<u>835,683</u>	<u>180,461</u>	<u>1,016,144</u>	<u>1,113,692</u>
PROPERTY AND EQUIPMENT, net	<u>2,188,846</u>	<u>-</u>	<u>2,188,846</u>	<u>2,342,301</u>
OTHER ASSETS				
Long-term promise to give, net	-	24,598	24,598	25,624
Investments	2,947,327	-	2,947,327	2,562,642
TOTAL OTHER ASSETS	<u>2,947,327</u>	<u>24,598</u>	<u>2,971,925</u>	<u>2,588,266</u>
TOTAL ASSETS	<u>\$ 5,971,856</u>	<u>\$ 205,059</u>	<u>\$ 6,176,915</u>	<u>\$ 6,044,259</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 220,161	\$ -	\$ 220,161	\$ 208,001
TOTAL CURRENT LIABILITIES	<u>220,161</u>	<u>-</u>	<u>220,161</u>	<u>208,001</u>
NET ASSETS				
Unrestricted				
Undesignated	177,754	-	177,754	181,310
Undesignated-net investment in property	2,625,062	-	2,625,062	2,717,052
Board designated - capital projects	100,000	-	100,000	100,000
Endowment Trust	2,848,879	-	2,848,879	2,639,366
Temporarily restricted	-	205,059	205,059	198,530
TOTAL NET ASSETS	<u>5,751,695</u>	<u>205,059</u>	<u>5,956,754</u>	<u>5,836,258</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,971,856</u>	<u>\$ 205,059</u>	<u>\$ 6,176,915</u>	<u>\$ 6,044,259</u>

See Notes to Financial Statements

THE CHILDREN'S CENTER AND THE CHILDREN'S CENTER ENDOWMENT TRUST

COMBINED STATEMENT OF ACTIVITIES

Year Ended June 30, 2005 with Summarized Totals for 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2005 Totals</u>	<u>Summarized Totals 2004</u>
PUBLIC SUPPORT AND REVENUES				
Public support				
Contributions	\$ 420,774	\$ -	\$ 420,774	\$ 367,493
Special events (less direct expenses of \$65,913 in 2005 and \$51,780 in 2004)	201,932	-	201,932	206,509
United Way allocation	-	181,872	181,872	172,906
	<u>622,706</u>	<u>181,872</u>	<u>804,578</u>	<u>746,908</u>
Revenues				
Federal and state contract fees	926,356	-	926,356	914,208
Valley Mental Health contract fees	1,221,103	-	1,221,103	1,119,654
Private fees	481,750	-	481,750	625,302
	<u>2,629,209</u>	<u>-</u>	<u>2,629,209</u>	<u>2,659,164</u>
Less contractual allowances	(438,806)	-	(438,806)	(566,858)
	<u>2,190,403</u>	<u>-</u>	<u>2,190,403</u>	<u>2,092,306</u>
Investment return - non-endowment	4,893		4,893	1,220
Investment return - endowment	221,023		221,023	271,241
Miscellaneous	71,167	-	71,167	65,401
	<u>297,083</u>	<u>-</u>	<u>297,083</u>	<u>337,862</u>
TOTAL PUBLIC SUPPORT AND REVENUES	<u>3,110,192</u>	<u>181,872</u>	<u>3,292,064</u>	<u>3,177,076</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>175,343</u>	<u>(175,343)</u>	<u>-</u>	<u>-</u>
TOTAL PUBLIC SUPPORT, REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS	<u>3,285,535</u>	<u>6,529</u>	<u>3,292,064</u>	<u>3,177,076</u>
EXPENSES				
Day treatment	1,667,626	-	1,667,626	1,658,017
Testing and consultation	362,224	-	362,224	390,846
Outpatient	259,527	-	259,527	259,627
Group Home	412,314	-	412,314	390,713
Research	22,712	-	22,712	18,828
Management services	270,136	-	270,136	265,530
Fund raising	177,029	-	177,029	92,358
TOTAL EXPENSES	<u>3,171,568</u>	<u>-</u>	<u>3,171,568</u>	<u>3,075,919</u>
CHANGE IN NET ASSETS	<u>113,967</u>	<u>6,529</u>	<u>120,496</u>	<u>101,157</u>
NET ASSETS, BEGINNING OF YEAR	<u>5,637,728</u>	<u>198,530</u>	<u>5,836,258</u>	<u>5,735,101</u>
NET ASSETS, END OF YEAR	<u>\$ 5,751,695</u>	<u>\$ 205,059</u>	<u>\$ 5,956,754</u>	<u>\$ 5,836,258</u>

See Notes to Financial Statements

THE CHILDREN'S CENTER AND THE CHILDREN'S CENTER ENDOWMENT TRUST

STATEMENT OF CASH FLOWS

Year Ended June 30, 2005 with Summarized Totals for 2004

	2005 Totals	Summarized Totals 2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 120,496	\$ 101,157
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	177,694	167,626
Fixed asset donation	-	(2,000)
Donated stock	(4,079)	(7,873)
Unrealized gain on investments	(102,201)	(148,575)
Realized gains on investments	(43,507)	(72,579)
Gain on disposal of fixed assets	(3,000)	(5,693)
Decrease (increase) in operating assets:		
Accounts receivable	48,964	(88,660)
Pledges receivable	8,315	14,542
Prepaid expenses and other assets	(2,481)	(32,383)
Increase in operating liabilities:		
Accounts payable and accrued expenses	12,160	21,637
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>212,361</u>	<u>(52,801)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(24,239)	(135,475)
Proceeds from sale of investments	651,188	2,008,170
Purchase of investments	(886,086)	(2,039,131)
Proceeds from sale of property and equipment	3,000	7,766
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(256,137)</u>	<u>(158,670)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(43,776)</u>	<u>(211,471)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>534,725</u>	<u>746,196</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 490,949</u></u>	<u><u>\$ 534,725</u></u>

See Notes to Financial Statements

THE CHILDREN'S CENTER AND THE CHILDREN'S CENTER ENDOWMENT TRUST

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2005 with Summarized Totals for 2004

	Day treatment	Testing and consultation	Outpatient	Group Home	Research	Manage- ment services	Fund raising	2005 Totals	Summarized Totals 2004
Salaries	\$ 1,058,550	\$ 237,195	\$ 190,265	\$ 262,413	\$ -	\$ 174,283	\$ 63,294	\$ 1,986,000	\$ 2,008,513
Payroll taxes	76,745	17,137	13,710	19,529	-	12,567	4,570	144,258	145,653
Employee insurance	109,802	23,780	19,024	32,514	-	17,439	6,341	208,900	183,617
Employee retirement	33,206	7,387	5,910	8,307	-	5,417	1,970	62,197	63,424
Professional insurance	22,612	2,826	2,826	8,907	-	-	-	37,171	37,435
Depreciation	106,472	22,182	10,351	29,817	-	7,393	1,479	177,694	167,626
Office supplies	10,111	669	443	23	-	566	566	12,378	9,663
Program materials	12,401	6,827	2,982	5,184	1,822	-	-	29,216	27,693
Food	9,916	2,044	307	15,663	2,174	-	-	30,104	22,509
Postage	4,766	882	205	-	150	980	1,200	8,183	9,906
Printing	3,032	315	75	-	2,715	568	9,565	16,270	15,815
Publications and testing material	146	6,580	-	-	1,500	69	56	8,351	7,001
Telephone	8,349	2,340	757	3,948	-	541	108	16,043	17,051
Utilities	21,834	4,549	2,123	7,473	-	1,516	303	37,798	41,145
Repairs and maintenance	41,219	8,587	4,008	6,968	-	2,862	572	64,216	59,707
Janitorial service and supplies	23,515	4,899	2,286	2,447	-	1,633	327	35,107	34,511
Rent	909	189	88	-	-	63	13	1,262	1,026
Property insurance	9,529	1,985	926	2,758	-	662	132	15,992	11,963
Professional fees	18,447	2,097	595	-	11,756	17,958	84,415	135,268	64,824
Bad debts and collection expense	17,074	949	949	-	-	-	-	18,972	20,219
Transportation	70,697	194	366	4,308	-	-	-	75,565	80,035
Meetings and conventions	4,940	8,014	1,082	50	-	49	17	14,152	16,730
Endowment management fee	-	-	-	-	-	11,511	-	11,511	11,252
Miscellaneous	1,338	177	53	2,005	2,595	13,919	2,073	22,160	15,801
In-kind contributions rent	2,016	420	196	-	-	140	28	2,800	2,800
	\$ 1,667,626	\$ 362,224	\$ 259,527	\$ 412,314	\$ 22,712	\$ 270,136	\$ 177,029	\$ 3,171,568	\$ 3,075,919

See Notes to Financial Statements

THE CHILDREN'S CENTER AND THE CHILDREN'S CENTER ENDOWMENT TRUST

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Nature of operations – The Children's Center is a private, non-profit 501(c)(3) agency that provides treatment for troubled children (ages 2-6) and their families. Founded in 1961 by Dr. Agi Plenk, The Children's Center consists of two treatment facilities, one near the University of Utah and one in Kearns, Utah, that includes an adjacent residential Group Home. The Children's Center is one of the largest clinical agencies in the country serving preschool-aged children with emotional and behavioral disturbances. The Children's Center's programs include Psychological and Psychiatric Assessments, Preschool Day Treatment, Consultation and Training to Day Care Centers, After School Therapy Groups, and Individual and Family Therapy. The Children's Center believes in being a resource for community organizations and a training center to enhance care for young children and their families.

The Children's Center Endowment Trust is a separate 501(c)(3) entity, governed by a board of five trustees, which holds investments to provide for the future needs of The Children's Center. Earnings from The Children's Center Endowment Trust investments are used for capital improvements, research, and program development.

Basis of accounting – The accompanying financial statements include the combined accounts and operations of The Children's Center and The Children's Center Endowment Trust (collectively "the Center") because the two boards and the economic interests of the two entities are interrelated.

The combined financial statements of the Center have been prepared on the accrual basis of accounting and in conformity with accounting pronouncements and standards which apply to nonprofit organizations. Accordingly, the net assets of the Center have been classified as unrestricted, temporarily restricted or permanently restricted based on restrictions placed upon the use of the resources by the original donors.

- **Unrestricted net assets** – include contract fees, earned revenues, proceeds from special events, gains, and unrestricted contributions net of related expenses and are available for general operations of The Children's Center. Unrestricted net assets also consist of amounts that are internally restricted and board designated. The net assets of The Children's Center Endowment Trust total \$2,848,879 at June 30, 2005 and \$2,639,366 at June 30, 2004. These funds have been earmarked to provide for future needs of The Children's Center and are available for capital improvements, research, and to fund treatment and training of children with behavioral problems. The Children's Center Endowment Trust has been funded with proceeds from special events, donor gifts and transfers of surplus from The Children's Center. The income and up to 25% of the principal may be distributed in any year. To date the trustees have not distributed any of the principal of the trust. In addition the Board of Trustees of The Children's Center has internally designated net assets of \$100,000 for capital improvements.
- **Temporarily restricted net assets** – include contributions which include time or purpose restrictions imposed by the donors. When a donor restriction expires temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

THE CHILDREN'S CENTER AND THE CHILDREN'S CENTER ENDOWMENT TRUST

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (Continued)

Summarized financial information – The financial statements include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2004, from which the summarized information was derived.

Use of estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – All highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents.

Investments – Investments are recorded at their fair value at year end with any unrealized gains or losses reflected in the statement of activities as part of investment return.

Property – All expenditures for land, buildings, furniture fixtures, and equipment are recorded at cost. Donated fixed assets are recorded at the fair value at the date of donation.

Revenue recognition – Revenues are recorded based on the Center's standard fee schedule for services performed. Contractual allowances, which represent the differences between the fee schedule and the amounts receivable from public agencies and private patients, are deducted from fees for services. Receivables are recorded at the net amount.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by donors for specific purposes are reported as temporarily restricted or permanently restricted contributions that increase those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted.

Significant donations of goods and services are received by the Center for use in their annual signature fundraising event. These contributed goods and services are auctioned at the event and the estimated fair market value of these donations is determined to equal the proceeds from the auction. This amount is recorded as contribution revenue in the records of the Center and totaled \$100,190 for the year ended June 30, 2005.

Functional allocation of expenses – The costs of programs and supporting services have been summarized on a functional basis in the statement of activities. All direct costs are charged to the functional area they pertain to. Indirect costs are charged to programs and supporting services based on estimates made by management taking into account the nature of the expense and how it relates to the functional area. General and administrative costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

THE CHILDREN'S CENTER AND THE CHILDREN'S CENTER ENDOWMENT TRUST

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (Continued)

Depreciation and amortization – Depreciation is computed on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives</u>
Buildings	40 years
Leasehold Improvements	10-25 years
Furniture, fixtures and equipment	4 - 5 years

Expenses – Expenses are categorized by type and allocated in the combined statement of functional expenses according to the function which initiated the expense.

Income taxes – The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no provision has been made for Federal income tax.

(2) Property and equipment

The costs and related depreciation of property and equipment at June 30, 2005 are as follows:

Cost of owned property and equipment	
Land	\$ 12,150
Buildings	2,921,835
Furniture and fixtures	785,051
Land improvements	339,611
Total cost of owned property and equipment	4,058,647
Accumulated depreciation	1,869,801
Net owned property and equipment	<u>\$ 2,188,846</u>

The aggregate depreciation charged to operations was \$177,694 for the year ended June 30, 2005.

(3) Long-term promise to give

In 1969 the Center entered into a lease agreement with the University of Utah. Under the terms of the agreement the Center received rent-free for a period of 50 years the use of the land on which the Center built their main facility. The lease agreement specifies that in exchange for the free rent, the ownership of the building will revert to the University of Utah at the end of the lease term.

The Center has recorded the rent-free use of the land as an unconditional long-term promise to give. The promise is recorded at the present value of estimated future cash flows using a discount rate of 6.925% which was the risk-free rate at the date of the adoption of the applicable accounting standard.

THE CHILDREN'S CENTER AND THE CHILDREN'S CENTER ENDOWMENT TRUST

NOTES TO FINANCIAL STATEMENTS

(3) Long-term promise to give (Continued)

	<u>June 30, 2005</u>
Amounts due in:	
One year	\$ 2,800
Two years	2,800
Three years	2,800
Four years	2,800
Five years	2,800
Thereafter	<u>25,200</u>
	39,200
Less unamortized discount	<u>14,602</u>
Total unconditional promises to give	<u><u>\$ 24,598</u></u>

(4) Investments and investment return

Investments are stated at fair value and are summarized as follows as of June 30, 2005:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Common stocks	\$ 639,314	\$ 856,313	\$ 856,313
Corporate bonds	276,393	266,714	266,714
U.S. Government bonds	608,710	611,146	611,146
Municipal bonds	31,188	33,461	33,461
Mutual funds - stocks	964,901	973,699	973,699
Mutual funds - bonds	53,606	54,929	54,929
Mutual funds - other	<u>151,065</u>	<u>151,065</u>	<u>151,065</u>
	<u><u>\$ 2,725,177</u></u>	<u><u>\$ 2,947,327</u></u>	<u><u>\$ 2,947,327</u></u>

Investment return for the year ended June 30, 2005 consists of the following:

	<u>Unrestricted</u>
Non-endowment investments:	
Interest income and investment income	\$ 5,735
Net realized losses reported at fair value	-
Net unrealized gain on investments at fair value	<u>(842)</u>
Total return	<u><u>\$ 4,893</u></u>

THE CHILDREN'S CENTER AND THE CHILDREN'S CENTER ENDOWMENT TRUST

NOTES TO FINANCIAL STATEMENTS

(4) Investments and investment return (Continued)

	<u>Unrestricted</u>
Endowment investments:	
Investment income	\$ 64,360
Net realized gains reported at fair value	53,620
Net unrealized gain on investments at fair value	<u>103,043</u>
Total return	<u>\$ 221,023</u>

Investment returns on the endowment investments is unrestricted and undesignated.

(5) Temporarily restricted net assets

Temporarily restricted net assets consist of the following at June 30, 2005:

United Way promise to give for The Children's Center programs	\$ 180,461
University of Utah long-term promise to give for rent-free use of land for Eastside facility	<u>24,598</u>
Total temporarily restricted net assets	<u>\$ 205,059</u>

(6) Retirement plan

The Center has a 401(k) defined contribution plan. Any employee may participate and contribute on a pre-tax basis. The Center matches employee contributions up to 2% of their annual salary, and if the employee is full time and has achieved the one year of service requirement, the Center adds an additional 3% contribution. For the year ended June 30, 2005, the Center contributed \$62,197.

(7) Concentration of credit risk

The Center maintains its cash and cash equivalent balances at one financial institution located in Salt Lake City, Utah. The Center has not experienced any losses related to these accounts and believes that it is not exposed to any credit risk. Accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000.

The Center also maintains accounts with three stock brokerage firms. The accounts contain cash and securities. Balances are insured by the Securities Investors Protection Corporation up to \$500,000 with a \$100,000 limit for cash.

ADDITIONAL INFORMATION



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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Trustees

THE CHILDREN'S CENTER AND THE CHILDREN'S CENTER ENDOWMENT TRUST

Our audit was made for the purpose of forming an opinion on the financial statements of The Children's Center and The Children's Center Endowment Trust for the year ended June 30, 2005. The accompanying ADDITIONAL INFORMATION is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position and changes in net assets of the individual organizations, and is not a required part of the basic combined financial statements. These schedules are the responsibility of the Center's management. Such information has been subjected to the auditing procedures applied in our audit of the basic combined financial statements. In our opinion, the accompanying ADDITIONAL INFORMATION is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

Mayer Hoffman McCann P.C.

Salt Lake City, Utah

August 10, 2005

THE CHILDREN'S CENTER AND THE CHILDREN'S CENTER ENDOWMENT TRUST

COMBINING STATEMENT OF FINANCIAL POSITION INFORMATION

Year Ended June 30, 2005

	<u>The Children's Center</u>	<u>The Children's Center Endowment Trust</u>	<u>Total</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 490,949	\$ -	\$ 490,949
Accounts receivable, less allowance for contractual agreements and doubtful accounts of \$40,000	300,012	-	300,012
United Way receivable	180,461	-	180,461
Pledges receivable	5,340	-	5,340
Prepaid expenses and other assets	39,382	-	39,382
TOTAL CURRENT ASSETS	<u>1,016,144</u>	<u>-</u>	<u>1,016,144</u>
 PROPERTY AND EQUIPMENT, net	 <u>2,188,846</u>	 <u>-</u>	 <u>2,188,846</u>
 OTHER ASSETS			
Long-term promise to give, net	24,598	-	24,598
Investments	175,172	2,772,155	2,947,327
Intercompany receivable (payable)	(76,724)	76,724	-
	<u>123,046</u>	<u>2,848,879</u>	<u>2,971,925</u>
 TOTAL ASSETS	 <u>\$ 3,328,036</u>	 <u>\$ 2,848,879</u>	 <u>\$ 6,176,915</u>
 <u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 220,161	\$ -	\$ 220,161
TOTAL CURRENT LIABILITIES	<u>220,161</u>	<u>-</u>	<u>220,161</u>
 NET ASSETS			
Unrestricted			
Undesignated	177,754	-	177,754
Undesignated-net investment in property	2,625,062	-	2,625,062
Board designated - capital projects	100,000	-	100,000
Endowment Trust	-	2,848,879	2,848,879
Temporarily restricted	205,059	-	205,059
TOTAL NET ASSETS	<u>3,107,875</u>	<u>2,848,879</u>	<u>5,956,754</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,328,036</u>	 <u>\$ 2,848,879</u>	 <u>\$ 6,176,915</u>

THE CHILDREN'S CENTER AND THE CHILDREN'S CENTER ENDOWMENT TRUST

COMBINING STATEMENT OF ACTIVITIES INFORMATION

Year Ended June 30, 2005

	The Children's Center	The Children's Center Endowment Trust	Total
PUBLIC SUPPORT AND REVENUES			
Public support			
Contributions	\$ 420,774	\$ -	\$ 420,774
Special events (less direct expenses of \$65,913)	201,932	-	201,932
United Way allocation	181,872	-	181,872
	<u>804,578</u>	<u>-</u>	<u>804,578</u>
Revenues			
Federal and state contract fees	926,356	-	926,356
Valley Mental Health contract fees	1,221,103	-	1,221,103
Private fees	481,750	-	481,750
	<u>2,629,209</u>	<u>-</u>	<u>2,629,209</u>
Less contractual allowances	(438,806)	-	(438,806)
	<u>2,190,403</u>	<u>-</u>	<u>2,190,403</u>
Investment return - non-endowment	4,893	-	4,893
Investment return - endowment	-	221,023	221,023
Miscellaneous	71,167	-	71,167
	<u>76,060</u>	<u>221,023</u>	<u>297,083</u>
TOTAL PUBLIC SUPPORT AND REVENUES	<u>3,071,041</u>	<u>221,023</u>	<u>3,292,064</u>
EXPENSES			
Day treatment	1,667,626	-	1,667,626
Testing and consultation	362,224	-	362,224
Outpatient	259,527	-	259,527
Group Home	412,314	-	412,314
Research	22,712	-	22,712
Management services	258,626	11,510	270,136
Fund raising	177,029	-	177,029
	<u>3,160,058</u>	<u>11,510</u>	<u>3,171,568</u>
TOTAL EXPENSES	<u>3,160,058</u>	<u>11,510</u>	<u>3,171,568</u>
CHANGE IN NET ASSETS	(89,017)	209,513	120,496
NET ASSETS, BEGINNING OF YEAR	<u>3,196,892</u>	<u>2,639,366</u>	<u>5,836,258</u>
NET ASSETS, END OF YEAR	<u>\$ 3,107,875</u>	<u>\$ 2,848,879</u>	<u>\$ 5,956,754</u>

OTHER REPORTS



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees

THE CHILDREN'S CENTER AND THE CHILDREN'S CENTER ENDOWMENT TRUST

We have audited the combined financial statements of The Children's Center and The Children's Center Endowment Trust, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Children's Center and The Children's Center Endowment Trust's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted one non-material matter involving internal control over financial reporting which we have reported to management in a separate letter dated August 10, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Children's Center and The Children's Center Endowment Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance

with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of The Children's Center and The Children's Center Endowment Trust's management, Board of Trustees and the government funding agencies. It is not intended to be and should not be used by anyone other than those specified parties.

Margaret Hoffmann McLaune L.C.
Salt Lake City, Utah
August 10, 2005

MHM

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**INDEPENDENT AUDITORS' REPORT
ON STATE LEGAL COMPLIANCE**

To the Board of Trustees

THE CHILDREN'S CENTER AND THE CHILDREN'S CENTER ENDOWMENT TRUST

We have audited the accompanying financial statements of The Children's Center and The Children's Center Endowment Trust (the Center), for the year ended June 30, 2005, and have issued our report thereon dated August 10, 2005.

As part of our audit we have audited the Center's compliance with the requirements governing types of services allowed or unallowed, eligibility, matching, level of effort or earmarking, reporting, special tests and provisions applicable to its major State assistance programs for the year ended June 30, 2005 as required by the *State of Utah Legal Compliance Audit Guide*. The Center received the following major assistance programs from the State of Utah and through Salt Lake County:

DCFS Day Treatment (Department of Human Services)

DCFS Residential (Department of Human Services)

The management of the Center is responsible for its compliance with the compliance requirements mentioned above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Center complied, in all material respects, with the requirements governing types of services allowed or unallowed, eligibility, matching, level of effort or earmarking, reporting, special tests and provisions applicable to its major State assistance programs for the year ended June 30, 2005.

This report is intended solely for the information of the Board of Trustees, management, and the State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.



Salt Lake City, Utah

August 10, 2005

**THE CHILDREN'S CENTER AND THE
CHILDREN'S CENTER ENDOWMENT TRUST**

MANAGEMENT LETTER

Year Ended June 30, 2005

The logo consists of the letters "MHM" in a white, bold, sans-serif font, centered within a solid black square.

Mayer Hoffman McCann P.C.

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To the Board of Trustees and Management
The Children's Center and The Children's Center Endowment Trust

In planning and performing our audit of the combined financial statements of The Children's Center and the Children's Center Endowment Trust for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we noted certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the organization's personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of The Children's Center and The Children's Center Endowment Trust's Board of Trustees, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Salt Lake City, Utah

August 10, 2005

**THE CHILDREN'S CENTER AND THE CHILDREN'S CENTER
ENDOWMENT TRUST**

MANAGEMENT LETTER COMMENTS

Year Ended June 30, 2005

Segregation of Duties

Observation

The office manager and Administrative Director have been responsible for reconciling bank accounts. These individuals have access to check stock, can process payables and are also authorized to sign checks. Individuals with these responsibilities could misappropriate funds and the misappropriation could go undetected.

Recommendation

We recommend that management review responsibilities of individuals involved with the accounting function of the organization and reassign certain responsibilities in order to achieve an adequate segregation of key accounting duties. As part of this review the organization may also want to consider securing and limiting access to check stock and adding a Board member as a check signer.

Management Response

**THE CHILDREN'S CENTER AND THE CHILDREN'S CENTER
ENDOWMENT TRUST**

RESPONSE TO MANAGEMENT LETTER COMMENTS

Year Ended June 30, 2005

Segregation of Duties

Observation

The office manager and Administrative Director have been responsible for reconciling bank accounts. These individuals have access to check stock, can process payables and are also authorized to sign checks. Individuals with these responsibilities could misappropriate funds and the misappropriation could go undetected.

Recommendation

We recommend that management review responsibilities of individuals involved with the accounting function of the organization and reassign certain responsibilities in order to achieve an adequate segregation of key accounting duties. As part of this review the organization may also want to consider securing and limiting access to check stock and adding a Board member as a check signer.

Management Response

Management will review responsibilities of individuals involved with the accounting function. The Board of Trustees has recommended that a Board member not be added as a check signer. However, management will develop ways to secure and limit access to check stock.